

RANGER COLLEGE DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

RANGER COLLEGE DISTRICT

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RANGER COLLEGE DISTRICT

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**RANGER COLLEGE DISTRICT
ORGANIZATIONAL DATA
For the Year Ended August 31, 2015**

Board of Regents

Officers

Jackie Stephens	Chairman
Ron Butler	Vice Chairman
A.J. Ratliff	Secretary

Members

		<u>Term Expires</u>
Doug Crawley	Ranger, Texas	2020
A.J. Ratliff	Ranger, Texas	2020
Ron Butler	Ranger, Texas	2018
Joe Walraven	Ranger, Texas	2018
Gay A. Wolford	Ranger, Texas	2018
Bobby Murry	Ranger, Texas	2016
Dr. Philip Webb	Ranger, Texas	2016
Sandi Herod	Ranger, Texas	2016
Jackie Stephens	Ranger, Texas	2016

Key Administrative Personnel

Dr. Bill Campion	President
Dr. Orlando Moreno	Executive Vice President - Brown County
Dr. Kerry Schindler	Vice President - Erath County
Dr. Billy Adams	Vice President for Student Instruction
Mr. Manuel McGriff	Vice President for Student Affairs
Mr. Jon Dixon Bailey	Vice President for Workforce Development
Mrs. Carolyn Zapata	Dean of Nursing
Mrs. Cherie Beltran	Dean of Administration
Mr. John Slaughter	Dean of Enrollment Management
Mr. Michael Winslow	Dean - Olney Center
Mr. Robert Culverhouse	Chief Financial Officer

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Ranger College

Report on the Financial Statements

We have audited the accompanying financial statements of the Ranger College District as of and for the years ended August 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ranger College District as of August 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2015, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for pensions – an amendment of GASB Statement No. 27*, and the GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the College's share of net pension liability and the schedule of the College's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ranger College District's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas *Single Audit Circular*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplemental information and schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information and schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of Ranger College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ranger College District's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams

December 16, 2015

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

This section of the Ranger College District's annual financial report presents management's discussion and analysis of the College's financial activity during the fiscal years ended August 31, 2015 and 2014. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's financial statements and the footnotes. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The financial statements focus on the College as a whole. The statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the statement of net position is designed to be similar to bottom line results for the College.

The statement of revenues, expenses, and changes in net position focuses on both the gross costs and the net costs of the College's activities which are supported mainly by tuition and fees and by federal, state and other revenues. This approach is intended to summarize and simplify the user's analysis of the costs of various College services to students and the public.

The final required financial statement, the statement of cash flows, reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information included to supplement and provide more detail to the basic financial statements. The supplementary information can be found beginning on pages 53 of this report.

The Ranger College Foundation, Inc. is a discretely presented component unit of the College and is reported as separate financial statements.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

Financial Highlights

The College's net position decreased from August 31, 2014, restated, to August 31, 2015 by \$246,750 and increased from August 31, 2013 to August 31, 2014 (not restated) by \$1,960,281. With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the beginning net position for the year ended August 31, 2015 was decreased by \$1,138,930. As of August 31, 2015 and 2014 (not restated), the College's net position was \$7,052,910 and \$8,438,590, which includes \$3,285,010 and \$2,868,239 in net investment in capital assets, \$325,501 and \$789,511 in restricted net position, and \$3,442,399 and \$4,780,840 in unrestricted net position, respectively.

Operating expenses for fiscal years 2015 and 2014 (not restated) were \$12,875,917 and \$11,373,403, of which \$5,748,395 and \$4,341,498 were expended for instruction, \$1,635,127 and \$1,474,521 were expended for institutional support, and \$1,948,820 and \$1,813,592 were expended for auxiliary enterprises, respectively. In fiscal years 2015 and 2014 (not restated), depreciation expense was \$523,593 and \$353,020, respectively.

Operating revenues for fiscal years 2015 and 2014 (not restated) were \$6,765,683 and \$5,586,098, which includes \$3,448,653 and \$2,736,891 in tuition and fees (net of discounts), \$776,731 and \$797,476 in auxiliary revenue (net of discounts), \$358,017 and \$322,002 in federal grants and contracts, and \$1,428,720 and \$1,029,271, in state grants and contracts, respectively.

Net non-operating revenues for fiscal years 2015 and 2014 were \$5,863,484 and \$7,647,586, which includes \$3,891,207 and \$3,864,190 in state allocations, \$3,284,522 and \$3,505,777 in federal grants, and \$274,276 and \$257,462 in ad-valorem taxes for maintenance and operations, respectively.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

Financial Analysis of the College as a Whole

Statement of Net Position

The statement of net position presents current assets (non restricted assets expected to provide support within a year), non current assets (restricted assets expected to provide long term benefit), deferred outflows of resources, current liabilities (obligations which must be met within the current year), non-current liabilities (obligations which are not settled in the current year), and deferred inflows of resources. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are presented using the accrual basis of accounting, which is similar to the accounting by most private-sector institutions. Net position, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the financial position of the College. As of August 31, 2015, net position was \$7,052,910. This was a decrease of \$246,750 from the period ended August 31, 2014, restated. As of August 31, 2014, not restated, the net position was \$8,438,590. This was an increase of \$1,960,281 from the period ended August 31, 2013. The College's financial position remains strong with adequate liquid assets at a reasonable level of unrestricted net position.

Net Position
As of August 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current Assets	\$ 8,950,237	\$ 8,788,563	\$ 7,497,825
Non-current Assets			
Capital Assets, Net of Depreciation	6,493,973	6,333,479	3,504,837
Other	<u>2,701,538</u>	<u>3,164,271</u>	<u>2,293,774</u>
Total Assets	<u>18,145,748</u>	<u>18,286,313</u>	<u>13,296,436</u>
Deferred Outflows of Resources	<u>191,708</u>	-	-
Current Liabilities	4,644,153	4,241,806	3,641,081
Non-current Liabilities	<u>6,332,891</u>	<u>5,605,917</u>	<u>3,177,046</u>
Total Liabilities	<u>10,977,044</u>	<u>9,847,723</u>	<u>6,818,127</u>
Deferred Inflows of Resources	<u>307,502</u>	-	-
Net Position			
Net Investment in Capital Assets	3,285,010	2,868,239	1,426,003
Restricted for: Expendable	325,501	789,511	910,739
Unrestricted	<u>3,442,399</u>	<u>4,780,840</u>	<u>4,141,567</u>
Total Net Position	<u>\$ 7,052,910</u>	<u>\$ 8,438,590</u>	<u>\$ 6,478,309</u>

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

Investment in capital assets (e.g., land, building and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was \$3,285,010 and \$2,868,239 at August 31, 2015 and 2014, respectively. The College uses these assets to provide services to the students; consequently, they are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At August 31, 2015 and 2014, an additional \$325,501 (or 5%) and \$789,511 (or 9%), respectively, of the College's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the College is being held for debt service and scholarships. The remaining portion of the College's net position at August 31, 2015 and 2014 (\$3,442,399 and \$4,780,840, respectively) may be used to meet the College's ongoing obligations.

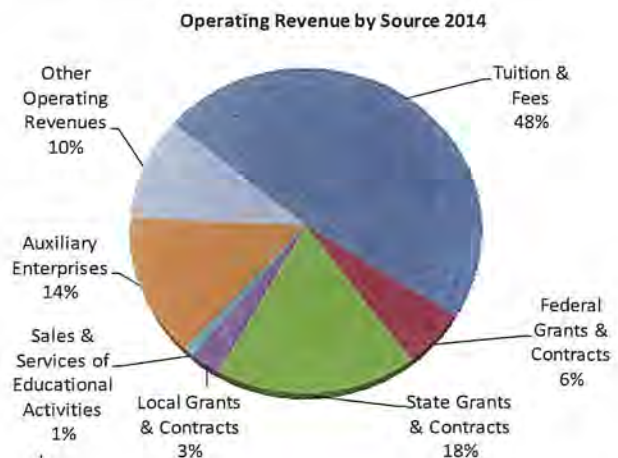
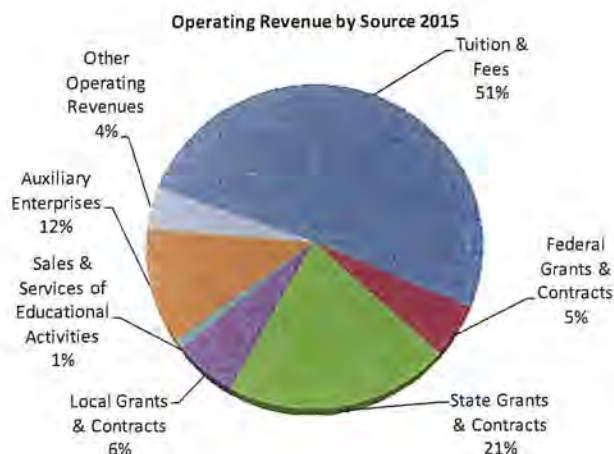
Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the operating results of the College, as well as the non-operating revenue and expenses. Operating revenues are primarily those that result directly from instruction, the operation of the College's auxiliary services (cafeteria, dormitories, bookstore, etc.) and Federal, State and local grants. State Allocations and property tax receipts, while budgeted for operations, are considered non operating revenues and depreciation is shown in operating expenses according to accounting principles generally accepted in the United States of America.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

Operating Results for the Years Ended
August 31,

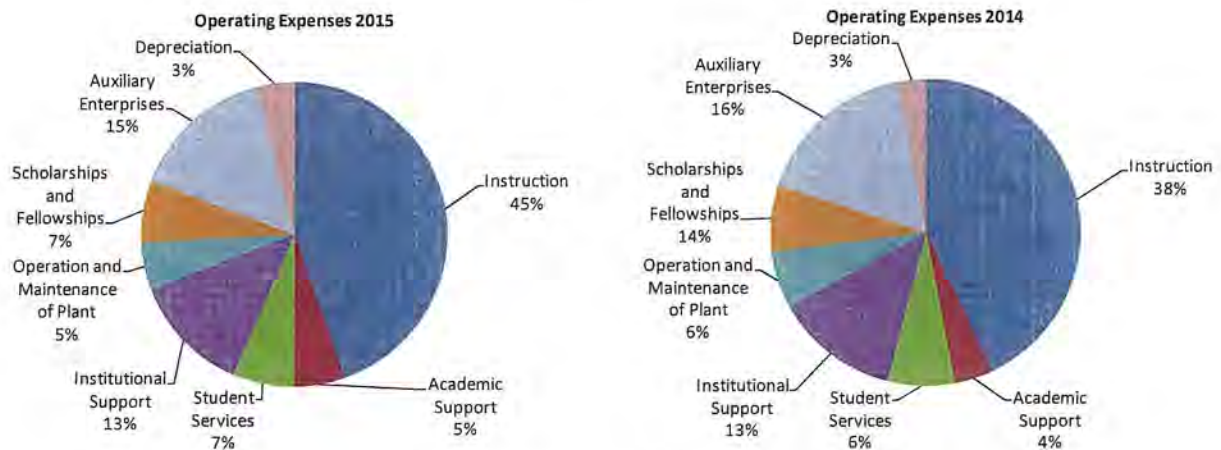
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenues			
Tuition and Fees (Less Discounts)	\$ 3,448,653	\$ 2,736,891	\$ 1,584,341
Federal Grants and Contracts	358,017	322,002	564,206
State Grants and Contracts	1,428,720	1,029,271	730,739
Local Grants and Contracts	410,100	156,150	245,000
Sales and Services of Educational Activities	60,122	57,053	69,373
Auxiliary Enterprises (Less Discounts)	776,731	797,476	765,116
Other Operating Revenues	283,340	587,255	342,825
Total Operating Revenues	<u>6,765,683</u>	<u>5,686,098</u>	<u>4,301,600</u>
Less Operating Expenses	<u>12,875,917</u>	<u>11,373,403</u>	<u>10,016,746</u>
Net Operating Loss	<u>(6,110,234)</u>	<u>(5,687,305)</u>	<u>(5,715,146)</u>
Non-Operating Revenues (Expenses)			
State Allocations	3,891,207	3,864,190	3,118,714
Ad-Valorem Taxes for Maintenance and Operations	274,276	257,462	260,751
Federal Revenue, Non-Operating	3,284,522	3,505,777	3,738,783
Gifts	470	1,604	400
Investment Income (Net of Investment Expense)	72,617	176,656	162,516
Interest on Capital Related Debt	(76,138)	(158,103)	(114,184)
Donation to Ranger College Foundation, Inc.	(1,583,470)	-	-
Total Non-Operating Revenues (Expenses)	<u>5,863,484</u>	<u>7,647,586</u>	<u>7,166,980</u>
Change in Net Position	<u>(246,750)</u>	<u>1,960,281</u>	<u>1,451,834</u>
Net Position, Beginning of Year	<u>8,438,590</u>	<u>6,478,309</u>	<u>5,026,475</u>
Prior Period Adjustment	(1,138,930)	-	-
Net Position, Beginning of Year	<u>7,299,660</u>	<u>6,478,309</u>	<u>5,026,475</u>
Net Position, End of Year	<u>\$ 7,052,910</u>	<u>\$ 8,438,590</u>	<u>\$ 6,478,309</u>
Total Revenues	<u>\$ 14,288,775</u>	<u>\$ 13,491,787</u>	<u>\$ 11,582,764</u>



RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

Operating Expenses
For the Years Ended August 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction	\$ 5,748,395	\$ 4,341,498	\$ 4,267,911
Academic Support	688,156	505,337	408,790
Student Services	828,159	710,246	725,476
Institutional Support	1,635,127	1,474,521	1,356,251
Operation and Maintenance of Plant	657,955	626,424	621,487
Scholarships and Fellowships	845,712	1,548,765	663,361
Auxiliary Enterprises	1,948,820	1,813,592	1,719,005
Depreciation	523,593	353,020	254,465
Total	<u>\$ 12,875,917</u>	<u>\$ 11,373,403</u>	<u>\$ 10,016,746</u>
 Total Expenses (Including Non-Operating Expenses)	 <u>\$ 14,535,525</u>	 <u>\$ 11,531,506</u>	 <u>\$ 10,130,930</u>



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The College's investment in total capital assets as of August 31, 2015 and 2014 amounts to \$6,493,973 and \$6,333,479, respectively, (net of accumulated depreciation). Investments in capital assets include land, construction in progress, buildings and improvements, land improvements, leasehold improvements, library books, and vehicles and equipment.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

Major capital asset events during the current fiscal year include the following:

- Two passenger vans;
- Renovations of buildings; and
- Robot system and simulators purchased with grant funds.

Major capital asset events during the prior fiscal year include the following:

- Purchase of land and a building for an additional Stephenville campus location; and
- Construction in progress on the roofing project.

Capital Assets, Net
August 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital Assets			
Land	\$ 739,948	\$ 739,948	\$ 600,602
Construction in Progress	248,386	389,616	25,430
Building and Improvements	7,049,518	6,502,979	4,357,134
Land Improvements	342,808	298,608	298,608
Leasehold Improvements	702,840	702,840	702,840
Library Books	150,185	150,185	150,185
Vehicles and Equipment	<u>1,829,235</u>	<u>1,691,342</u>	<u>1,159,057</u>
Total	11,062,920	10,475,518	7,293,856
Less Accumulated Depreciation	<u>(4,568,947)</u>	<u>(4,142,039)</u>	<u>(3,789,019)</u>
Net Capital Assets	<u>\$ 6,493,973</u>	<u>\$ 6,333,479</u>	<u>\$ 3,504,837</u>

Additional information on the College's capital assets can be found in Note 5 of this report.

Long-term debt. At August 31, 2015 and 2014, the College had total debt outstanding, which represents bonds payable of \$5,585,000 and \$5,840,000, respectively. The College's total debt decreased by a net amount of \$255,000, and increased by a net amount of \$2,378,131 during the fiscal years ending August 31, 2015 and 2014, respectively, due to regular scheduled payments and bond issuances.

Additional information on the College's long-term debt can be found in Notes 6 and 7 of this report.

RANGER COLLEGE DISTRICT
Management's Discussion and Analysis
August 31, 2015 and 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Regents adopted the College's 2015 – 2016 budget on August 31, 2015 and tax rate on August 24, 2015. The annual budget is developed to provide efficient, effective and economic uses of the College's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the Board of Regents sets the direction of the College, allocates its resources and establishes its priorities.

In considering the College budget for fiscal year 2016, the Board of Regents and management considered the following factors:

- The biggest driver in budget decisions has been the rapid growth of the institution, primarily on the Erath County Campus and in Continuing Education courses. The renovation of a large building on the Erath County Campus will continue to be a significant expense.
- The increase in enrollment has also caused an increased need in full time faculty and staff. The College has added many new full time positions to its fiscal year 2016 budget including an Athletic Trainer, Public Information Officer, Social Science, English, and Psychology instructors.
- Another budgetary concern has been the overall decrease in state appropriations and benefits accompanying the rapid enrollment increase.
- The College will open a newly renovated building containing a more advanced welding facility and early childhood development center.
- The College continues to expend funds toward its Quality Enhancement Plan (QEP) that focuses on an increased emphasis on technology which includes a higher bandwidth internet line at each of the Ranger College Campuses and new computers and graphing calculators for campus libraries.
- State grants through the Skills Development Fund have continued to be a budgetary concern. The College projected earning three new grants in fiscal year 2016.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Ranger College District's finances and to show the College's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Financial Officer at 1100 College Circle, Ranger, Texas 76470.

RANGER COLLEGE DISTRICT
Statements of Net Position
August 31, 2015 and August 31, 2014

EXHIBIT 1

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,430,765	\$ 5,166,485
Short-Term Investments	-	266,834
Accounts Receivable (net)	3,371,889	3,296,316
Prepaid Expenses	146,833	58,178
Deposits	750	750
Total Current Assets	8,950,237	8,788,563
Non-Current Assets		
Restricted Cash and Cash Equivalents	2,701,538	2,827,245
Restricted Short-Term Investments	-	54,769
Other Long-Term Investments	-	282,257
Capital Assets, net of Accumulated Depreciation (See Note 5)	6,493,973	6,333,479
Total Non-Current Assets	9,195,511	9,497,750
Total Assets	18,145,748	18,286,313
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions	191,708	-

RANGER COLLEGE DISTRICT
Statements of Net Position
August 31, 2015 and August 31, 2014

EXHIBIT 1

	2015	2014
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 299,773	\$ 407,827
Accrued Liabilities	429,100	27,248
Accrued Compensable Absences - Current Portion	75,856	81,010
Unearned Revenue	3,563,424	3,470,721
Bonds Payable - Current Portion	276,000	255,000
Total Current Liabilities	4,644,153	4,241,806
Non-Current Liabilities		
Accrued Compensable Absences	18,661	20,917
Bonds Payable	5,309,000	5,585,000
Net Pension Liability	1,005,230	-
Total Non-Current Liabilities	6,332,891	5,605,917
Total Liabilities	10,977,044	9,847,723
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions	307,502	-
NET POSITION		
Net Investment in Capital Assets	3,285,010	2,868,239
Restricted for:		
Expendable		
Student Aid	-	433,537
Debt Service	325,501	355,974
Unrestricted	3,442,399	4,780,840
Total Net Position	\$ 7,052,910	\$ 8,438,590

**RANGER COLLEGE DISTRICT
Component Unit
Statement of Financial Position**

EXHIBIT 1

	<u>August 31, 2015</u>
	<u>Ranger College Foundation, Inc.</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,211,032
Investments	416,090
	<hr/>
Total Current Assets	\$ 1,627,122
	<hr/> <hr/>
NET ASSETS	
Unrestricted	\$ 1,622,122
Temporarily Restricted	5,000
	<hr/>
Total Net Assets	\$ 1,627,122
	<hr/> <hr/>

RANGER COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2015 and August 31, 2014

EXHIBIT 2

	2015	2014
REVENUES		
Operating Revenues		
Tuition and Fees (Net of Discounts of \$3,126,488 and \$2,528,496, respectively)	\$ 3,448,653	\$ 2,736,891
Federal Grants and Contracts	358,017	322,002
State Grants and Contracts	1,428,720	1,029,271
Local Grants and Contracts	410,100	156,150
Sales and Services of Educational Activities	60,122	57,053
Auxiliary Enterprises (Net of Discounts of \$1,122,901 and \$1,002,079, respectively)	776,731	797,476
Other Operating Revenues	283,340	587,255
Total Operating Revenues (Schedule A)	6,765,683	5,686,098
EXPENSES		
Operating Expenses		
Instruction	5,748,395	4,341,498
Academic Support	688,156	505,337
Student Services	828,159	710,246
Institutional Support	1,635,127	1,474,521
Operation and Maintenance of Plant	657,955	626,424
Scholarships and Fellowships	845,712	1,548,765
Auxiliary Enterprises	1,948,820	1,813,592
Depreciation	523,593	353,020
Total Operating Expenses (Schedule B)	12,875,917	11,373,403
Operating Loss	(6,110,234)	(5,687,305)
NON-OPERATING REVENUES (EXPENSES)		
State Appropriations	3,891,207	3,864,190
Maintenance Ad Valorem Taxes	274,276	257,462
Federal Revenue, Non-Operating	3,284,522	3,505,777
Gifts	470	1,604
Investment Income	72,617	176,656
Interest on Capital Related Debt	(76,138)	(158,103)
Donation to Ranger College Foundation, Inc.	(1,583,470)	-
Net Non-Operating Revenues (Expenses) (Schedule C)	5,863,484	7,647,586
Change in Net Position	(246,750)	1,960,281
NET POSITION		
Net Position - Beginning of Year	8,438,590	6,478,309
Prior Period Adjustment (Note 2)	(1,138,930)	-
Net Position - Beginning of Year, restated	7,299,660	6,478,309
Net Position - End of Year	\$ 7,052,910	\$ 8,438,590

The accompanying Notes to the Financial Statements are an integral part of this statement.

**RANGER COLLEGE DISTRICT
Component Unit
Statement of Activities**

EXHIBIT 2

	For the Year Ending August 31, 2015
	Ranger College Foundation, Inc.
REVENUE	
Contributions	\$ 1,690,198
Interest and Dividends	15
Unrealized Loss on Investments	(71,944)
Total Revenue	1,618,269
EXPENSES	
Legal and Professional	5,897
Total Expenses	5,897
Change in Net Assets	1,612,372
Net Assets - Beginning of Year	14,750
Net Assets - End of Year	\$ 1,627,122

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2015 and August 31, 2014

EXHIBIT 3

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Students and Other Customers	\$ 4,585,721	\$ 4,143,690
Receipts from Grants and Contracts	2,223,031	1,623,246
Payments to or on Behalf of Employees	(5,335,685)	(5,195,945)
Payments to Suppliers for Goods or Services	(5,777,596)	(4,166,606)
Payments of Scholarships	(845,712)	(1,614,392)
Other receipts (payments)	283,340	587,255
	(4,866,901)	(4,622,752)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Receipts from State Appropriations	3,379,565	3,770,996
Receipts from Ad Valorem Taxes	274,380	249,351
Receipts from Non-Operating Federal Revenue	3,214,228	3,609,363
Receipts from Gifts and Grants (Other Than Capital)	470	1,604
Payment of Donation to Ranger College Foundation, Inc.	(1,020,540)	-
	5,848,103	7,631,314
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(684,087)	(3,181,661)
Proceeds from Revenue Bonds	-	3,000,000
Payments on Capital Debt - Principal	(255,000)	(621,869)
Payments on Capital Debt - Interest	(17,089)	(160,158)
	(956,176)	(963,688)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from Investment Earnings	113,547	156,655
	113,547	156,655
Increase in Cash and Cash Equivalents	138,573	2,201,529
Cash and Cash Equivalents - September 1	7,993,730	5,792,201
Cash and Cash Equivalents - August 31	\$ 8,132,303	\$ 7,993,730

The accompanying Notes to the Financial Statements are an integral part of this statement.

RANGER COLLEGE DISTRICT
Statements of Cash Flows
For the Years Ended August 31, 2015 and August 31, 2014

EXHIBIT 3

	2015	2014
Reconciliation to Exhibit 1:		
Cash and Cash Equivalents	\$ 5,430,765	\$ 5,166,485
Restricted Cash and Cash Equivalents	2,701,538	2,827,245
Total Cash and Cash Equivalents	\$ 8,132,303	\$ 7,993,730
Non-Cash Investing Activities:		
Donation of Investments to Ranger College Foundation, Inc.	\$ (562,930)	\$ -
Net Change in Fair Value of Investments	\$ (40,930)	\$ 20,001
Reconciliation of Operating Loss to Net Cash Used By Operating Activities:		
Operating Loss	\$ (6,110,234)	\$ (5,687,305)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	523,593	353,020
Bad Debt Expense	239,089	270,479
Payments Made Directly by State for Benefits	511,642	93,194
Changes in Assets and Liabilities:		
Receivables, Net	(244,472)	(1,247,183)
Other Assets - Current	-	824,601
Prepaid Expenses	(88,655)	116,922
Deferred Outflows of Resources	(96,990)	-
Accounts Payable	(108,054)	103,803
Accrued Liabilities	342,803	-
Unearned Revenue	92,703	549,717
Net Pension Liability	(228,418)	-
Compensated Absences	(7,410)	-
Deferred Inflows of Resources	307,502	-
Net Cash Used By Operating Activities	\$ (4,866,901)	\$ (4,622,752)

**NOTES TO THE
FINANCIAL STATEMENTS**

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

1. REPORTING ENTITY

Ranger College District (the College) was established in 1926, in accordance with the laws of the State of Texas, to serve the educational needs of Ranger and the surrounding communities. The College is considered to be a special purpose, primary government according to the definition in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. While the College receives funding from local, state, and federal sources and must comply with the spending, reporting, and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This section provides a summary of the College's significant accounting activities and other topics related to the College's financial reporting.

Report Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the Texas Higher Education Coordinating Board's *Annual Financial Reporting Requirements for Texas Public Community Colleges*. The College applies all applicable GASB pronouncements. The College is reported as a special-purpose government engaged in business-type activities (BTA).

Tuition Discounting

Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition discount. If the amount is dispersed directly to the student, the College records the amount as a scholarship expense.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Regents adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

Cash and Cash Equivalents

For the purpose of cash flows, the College considers cash and cash equivalents as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Inflows

In addition to liabilities, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB. The College has deferred inflows related to the pension plan, see additional information in Note 8.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows

In addition to assets, the College is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. The College has deferred outflows related to the pension plan, see additional information in Note 8.

Non-Current Cash and Investments

Non-current cash and investments are set aside and classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited to obligations, such as, scholarships, grant requirements, revenue bonds, and construction.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, the College reports investments at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Capital Assets

The College records capital assets at cost at the date of acquisition, or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The College capitalizes renovations of \$5,000 to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The College charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for land improvements, 15 years for library books, 10 years for furniture, machinery, vehicles and other equipment, and 5 years for telecommunications and peripheral equipment.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

Revenues, primarily consisting of tuition, fees, meal charges, and resident hall charges, related to academic terms in the next fiscal year are recorded on the Statement of Net Position as unearned revenue in the current fiscal year. Tuition and fees of \$3,563,424 and \$3,470,721 have been reported as unearned revenue at August 31, 2015 and August 31, 2014, respectively.

Pensions

For the year ended August 31, 2015, the College implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined based on the flow of economic resource measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to / deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the College is aware that actual results could differ from those estimates.

Operating and Non-Operating Revenues and Expenses

The College distinguishes operating revenues and expenses from non-operating items. The College reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of the bookstore is not performed by the College.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Application of Restricted and Unrestricted Resources

The College's policy is to first apply an expense against restricted resources then towards unrestricted resources, when both restricted and unrestricted resources are available to pay an expense.

Prior Year Restatement

In the year of implementation of GASB Statement No. 68, as amended by GASB Statement No. 71, a restatement to beginning net position will be required for the recording of the beginning net pension liability and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension liability and the beginning of the reporting entity's fiscal year.

Beginning net position as of September 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Beginning net position	\$ 8,438,590
Prior period adjustment-implementation of GASB No. 68:	
Net pension liability (measurement date as of August 31, 2014)	(1,233,648)
Deferred outflows – College contributions made during fiscal year 2014	94,718
Beginning net position, as restated	\$ 7,299,660

Reclassifications

Certain liabilities reported in Exhibit 1, the Statements of Net Position, for the August 31, 2014 financial statements, have been reclassified for comparative purposes to conform to the August 31, 2015 presentation.

3. AUTHORIZED INVESTMENTS

The College is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

4. DEPOSITS AND INVESTMENTS

The College's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the College's Board. The Investment Policy includes a list of authorized investment instruments. The Board has only authorized Ranger College to invest in Certificates of Deposit; however the College may hold investments that were authorized investments at the time of purchase or receipt. No other investments shall be made without approval of a majority of the Board of Regents.

Cash and Deposits

Cash and Cash Equivalents reported on Exhibit 1, Statements of Net Position, consist of the items reported below:

	August 31,	
	2015	2014
Bank Deposits with Financial Institutions	\$ 8,129,963	\$ 7,991,390
Petty Cash	2,340	2,340
Total Cash and Cash Equivalents	\$ 8,132,303	\$ 7,993,730

Investments

Investments reported on Exhibit 1, Statements of Net Position, consist of the items reported below:

	Credit Rating	Market Value as of August 31,	
Types of Investments		2015	2014
Short-Term Investments			
Certificates of Deposit - Current	n/a	\$ -	\$ 266,834
Certificates of Deposit - Restricted	n/a	-	54,769
Total Short-Term Investments		-	321,603
Other Long-Term Investments			
US Common Stock:			
Chevron - 2,142 shares	AA	-	277,282
BP PLC - 104 shares	AA	-	4,975
Total Other Long-Term Investments		-	282,257
Total Investments		\$ -	\$ 603,860

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – In accordance with the College’s investment policy, the College does not purchase any investments with maturities greater than one year. As of August 31, 2015 and August 31, 2014, the College was not exposed to interest rate risk.

Credit Risk – The College has no formal policy addressing credit risk. However, the safety of principal is the primary objective of the College’s investment policy. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of August 31, 2014, the College’s investments in common stock were rated AA by Standard & Poor’s.

Concentration of Credit Risk - The College does not place a limit on the amount that may be invested in any one issue. As of August 31, 2015 and August 31, 2014, 0% and 53%, respectively, of the College’s investments were included in certificates of deposit.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the College’s name. At August 31, 2015 and at August 31, 2014, the College’s cash and cash equivalents were not exposed to custodial credit risk.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty’s trust department or agent but not in the College’s name. At August 31, 2014, the College’s investment securities were not exposed to custodial credit risk.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

4. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Deposits and Investments Between Note 4 and Exhibit 1 for Primary Government:

	August 31,	
	2015	2014
Per Note 4:		
Cash and Cash Equivalents	\$ 8,132,303	\$ 7,993,730
Investments	-	603,860
Total Deposits and Investments	\$ 8,132,303	\$ 8,597,590
Per Exhibit 1:		
Cash and Cash Equivalents	\$ 5,430,765	\$ 5,166,485
Restricted Cash and Cash Equivalents	2,701,538	2,827,245
Short-Term Investments	-	266,834
Restricted Short-Term Investments	-	54,769
Other Long-Term Investments	-	282,257
Total Deposits and Investments	\$ 8,132,303	\$ 8,597,590

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

5. CAPITAL ASSETS

Capital assets activity for the years ended August 31, 2015 and 2014 was as follows:

	Balance 9/1/2014	Increases	Decreases	Balance 8/31/2015
<u>Not Depreciated:</u>				
Land	\$ 739,948	\$ -	\$ -	\$ 739,948
Construction in Progress	389,616	248,386	389,616	248,386
Subtotal	1,129,564	248,386	389,616	988,334
<u>Other Capital Assets:</u>				
Buildings and Improvements	6,502,979	546,539	-	7,049,518
Land Improvements	298,608	44,200	-	342,808
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	1,691,342	234,578	96,685	1,829,235
Subtotal	9,345,954	825,317	96,685	10,074,586
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,366,874	220,841	-	2,587,715
Land Improvements	240,677	23,142	-	263,819
Leasehold Improvements	488,885	117,393	-	606,278
Library Books	99,101	10,012	-	109,113
Vehicles and Equipment	946,502	152,205	96,685	1,002,022
Subtotal	4,142,039	523,593	96,685	4,568,947
Net Other Capital Assets	5,203,915	301,724	-	5,505,639
Net Capital Assets	<u>\$ 6,333,479</u>	<u>\$ 550,110</u>	<u>\$ 389,616</u>	<u>\$ 6,493,973</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

5. CAPITAL ASSETS (continued)

	Balance 9/1/2013	Increases	Decreases	Balance 8/31/2014
<u>Not Depreciated:</u>				
Land	\$ 600,602	\$ 139,346	\$ -	\$ 739,948
Construction in Progress	25,430	389,616	25,430	389,616
Subtotal	<u>626,032</u>	<u>528,962</u>	<u>25,430</u>	<u>1,129,564</u>
<u>Other Capital Assets:</u>				
Buildings and Improvements	4,357,134	2,145,845	-	6,502,979
Land Improvements	298,608	-	-	298,608
Leasehold Improvements	702,840	-	-	702,840
Library Books	150,185	-	-	150,185
Vehicles and Equipment	1,159,057	532,285	-	1,691,342
Subtotal	<u>6,667,824</u>	<u>2,678,130</u>	<u>-</u>	<u>9,345,954</u>
<u>Accumulated Depreciation:</u>				
Buildings and Improvements	2,276,310	90,564	-	2,366,874
Land Improvements	234,588	6,089	-	240,677
Leasehold Improvements	371,492	117,393	-	488,885
Library Books	89,087	10,014	-	99,101
Vehicles and Equipment	817,542	128,960	-	946,502
Subtotal	<u>3,789,019</u>	<u>353,020</u>	<u>-</u>	<u>4,142,039</u>
Net Other Capital Assets	<u>2,878,805</u>	<u>2,325,110</u>	<u>-</u>	<u>5,203,915</u>
Net Capital Assets	<u>\$ 3,504,837</u>	<u>\$ 2,854,072</u>	<u>\$ 25,430</u>	<u>\$ 6,333,479</u>

For the fiscal year ended August 31, 2015, the College capitalized interest expense of \$140,491 on the Stephenville campus renovation project in progress related to the Series 2014 Revenue Bond and incurred a total of \$216,629 of interest cost for all debt outstanding.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

6. LONG-TERM LIABILITIES

Long-term liability activity for the years ended August 31, 2015 and 2014 was as follows:

	Balance September 1, 2014	Additions	Reductions	Balance August 31, 2015	Current Portion
Revenue Bonds Payable	\$ 5,840,000	\$ -	\$ 255,000	\$ 5,585,000	\$ 276,000
Net Pension Liability, restated (Note 2)	1,233,648	173,802	402,220	\$ 1,005,230	n/a
Compensated Absences	101,927	98,579	105,989	94,517	75,856
Total Long-Term Liabilities	\$ 7,175,575	\$ 272,381	\$ 763,209	\$ 6,684,747	\$ 351,856

	Balance September 1, 2013	Additions	Reductions	Balance August 31, 2014	Current Portion
Revenue Bonds Payable	\$ 3,000,000	\$ 3,000,000	\$ 160,000	\$ 5,840,000	\$ 255,000
Maintenance Tax Note Payable	461,869	-	461,869	-	-
Compensated Absences	101,927	80,943	80,943	101,927	81,010
Total Long-Term Liabilities	\$ 3,563,796	\$ 3,080,943	\$ 702,812	\$ 5,941,927	\$ 336,010

7. DEBT OBLIGATIONS

General information related to bonds payable is summarized below:

Revenue Bonds

- Combined Fee Revenue Bond, Series 2013
- To purchase and renovate a building in Stephenville to be used for instruction.
- Issued May 15, 2013.
- Original balance of \$3,000,000 is payable in thirty semi-annual installments varying from \$160,000 to \$243,000, which includes interest at a rate of 2.95%.
- Final installment is due June 1, 2028.
- Source of revenue for debt service – tuition and fees.
- Outstanding principal balance of \$2,673,000 and \$2,840,000 at August 31, 2015 and August 31, 2014, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

7. DEBT OBLIGATIONS (Continued)

Revenue Bonds

- Combined Fee Revenue Bond, Series 2014
- To purchase and renovate a building in Stephenville to be used for instruction.
- Issued July 1, 2014.
- Original balance of \$3,000,000 is payable in forty semi-annual installments varying from \$88,000 to \$215,000, which includes interest at a rate of 4.1%.
- Final installment is due August 15, 2034.
- Source of revenue for debt service – tuition and fees.
- Outstanding principal balance of \$2,912,000 and \$3,000,000 at August 31, 2015 and August 31, 2014, respectively.

The principal and interest expense requirements for the next five years and beyond are summarized below for the debt issued.

Year Ended August 31,	Revenue Bonds Payable		
	Note Principal	Interest	Total
2016	\$ 276,000	\$ 198,246	\$ 474,246
2017	285,000	188,908	473,908
2018	295,000	179,258	474,258
2019	305,000	169,258	474,258
2020	315,000	158,902	473,902
2021 - 2025	1,745,000	626,299	2,371,299
2026 - 2030	1,555,000	314,902	1,869,902
2031 - 2035	809,000	84,621	893,621
Total	\$ 5,585,000	\$ 1,920,394	\$ 7,505,394

8. EMPLOYEES' RETIREMENT PLANS

Teacher Retirement System of Texas - Defined Benefit Pension Plan

Plan Description

The College participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The College's portion of the plan's fiduciary net position has been determined on the same basis as that used by the plan. The plan is reported using the economic resources measurement focus and the accrual basis of accounting. The plan reports investments at fair value. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. The Teacher Retirement System's Comprehensive Annual Financial Report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLA). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (NECE) - State	6.8%	6.8%
Employers	6.8%	6.8%

Contributions

2014 Employer Contributions	\$94,718
2014 Member Contributions	\$136,166
2014 NECE On-behalf Contributions	\$59,513

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0 percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, as amended October 1, 2014, are summarized below:

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns *</u>
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (8 percent) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
College's proportionate share of the net pension liability:	\$1,796,285	\$1,005,230	\$413,669

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2015, the College reported a net pension liability of \$1,005,230 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the College were as follows:

College's Proportionate share of the collective net pension liability	\$1,005,230
State's proportionate share that is associated with the College	<u>628,357</u>
Total	<u><u>\$1,633,587</u></u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014 the College's proportion of the collective net pension liability was 0.0038 percent which was a decrease of 0.0137 percent from its proportion measured as of August 31, 2013. The change in proportion was immaterial and therefore disregarded this year.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the College's reporting date. A 1.5 percent contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the College recognized pension expense of \$153,709, which includes \$60,794 for support provided by the State.

At August 31, 2015, the College reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual economic experience	\$ 15,546	\$ -
Changes in actuarial assumptions	65,341	-
Difference between projected and actual investment earnings	-	307,239
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	263
Contributions paid to TRS subsequent to the measurement date	110,821	-
Total	<u>\$ 191,708</u>	<u>\$ 307,502</u>

The net amounts of the College's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2016	\$ 47,612
2017	(63,209)
2018	(63,209)
2019	(63,209)
2020	13,601
Thereafter	12,620
Total	<u>\$ (115,794)</u>

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

8. EMPLOYEES' RETIREMENT PLANS (continued)

Optional Retirement Plan - Defined Contribution Plan

Plan Description

Participation in the Optional Retirement Program is in lieu of participation in TRS. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas legislature. The percentages of participant salaries currently contributed by the State/College and each participant are 6.60 percent and 6.65 percent, respectively. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the State's contribution to 50 percent of eligible employees in the reporting district.

The retirement expense to the State for the College was \$42,765 and \$32,400 for the fiscal years ended August 31, 2015 and August 31, 2014, respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the College.

The total payroll for all College employees was \$5,013,681 and \$4,196,832 for fiscal years 2015 and 2014, respectively. The total payroll of employees covered by the Optional Retirement Program was \$1,295,909 and \$981,812 for fiscal years 2015 and 2014, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

9. COMPENSABLE ABSENCES

Full-time employees earn annual leave at a rate of 7.4 hours per month to a maximum of eighty hours each year. Twelve-month employees become eligible for vacation after one year of service. The College's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum of twenty days (160 hours). Employees who fail to work one year forfeit vacation benefits. Employees, who have worked a minimum of one year and terminate their employment with a minimum of a two-week notice, are entitled to payment for all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for unpaid annual leave in the amount of \$94,517 and \$101,927 as of August 31, 2015 and August 31, 2014, respectively.

Sick leave is earned at the rate of eight hours per month per contract length and can be accumulated up to a maximum of 480 hours. The College's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since all accrued sick leave is forfeited by employees upon termination of employment.

10. HEALTH CARE AND LIFE INSURANCE BENEFITS

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The State recognizes the cost of providing these benefits by expending the annual insurance premiums. The State's contribution per full-time employee was \$537.66 per month for the year ended August 31, 2015, and totaled \$408,083 for the year. The cost of providing those benefits for 37 retirees was \$119,673 and for 91 active employees amounted to \$288,410. The State's contribution per full-time employee was \$503.14 per month for the year ended August 31, 2014, and totaled \$380,213 for the year. The cost of providing those benefits for 35 retirees was \$217,056 and for 64 active employees amounted to \$163,157. S.B. 1812, effective September 1, 2013, limits the amount of the State's contribution to 50% of eligible employees in the reporting district.

11. PENDING LAWSUITS

On August 31, 2015, various lawsuits and claims involving the College were pending. While the ultimate liability with respect to litigation and other claims asserted against the College cannot be reasonably estimated at this time, this liability, to the extent not provided by insurance or otherwise, is not likely to have a material effect on the College.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. In addition to providing pension benefits, the State provides certain healthcare and life insurance benefits for retired employees. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State. The College contributes to the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer, defined benefit postemployment healthcare plan administered by the Employees Retirement System of Texas (ERS). SRHP provides medical benefits to retired employees of participating universities, community colleges and state agencies in accordance with Chapter 1551, Texas Insurance Code. Benefit and contribution provisions of the SRHP are authorized by State law and may be amended by the Texas Legislature.

ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained from ERS via their website at <http://www.ers.state.tx.us/>.

Funding Policy. Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. Plan members or beneficiaries receiving benefits pay any premium over and above the employer contribution.

The employer's share of the cost of retiree healthcare coverage for the current year is known as the implicit rate subsidy and is the difference between the claims costs for the retirees and the amounts contributed by the retirees. The ERS Board of Trustees sets the employer contribution rate based on the implicit rate subsidy, which is actuarially determined in accordance with the parameters of GASB Statement No. 45.

The employer contribution rate represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Beginning September 1, 2013, SB 1812 limited the State's contribution to 50 percent of eligible employees for community colleges.

The College's contributions to SRHP for the years ended August 31, 2015, 2014, and 2013 were \$149,175, \$42,124, and \$30,111, respectively, which equaled the required contributions each year.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

13. DISAGGREGATION OF RECEIVABLES AND PAYABLES BALANCES

Receivables

Receivables at August 31, 2015 and 2014 were as follows:

	August 31,	
	2015	2014
Student Receivables (Net of Allowance of \$4,641,005 and \$855,998 for 2015 and 2014, respectively)	\$ 3,107,289	\$ 3,077,576
Taxes Receivable (Net of Allowances of \$21,989 and \$22,479 for 2015 and 2014, respectively)	43,147	43,251
Federal, State, and Local Grants Receivable	185,952	141,852
Other Accounts Receivable	35,501	33,637
Total Accounts Receivable	<u>\$ 3,371,889</u>	<u>\$ 3,296,316</u>

Payables

Payables at August 31, 2015 and 2014 were as follows:

	August 31,	
	2015	2014
Vendor Payable	\$ 250,672	\$ 407,827
Benefit Payable	49,101	-
Total Accounts Payable	<u>\$ 299,773</u>	<u>\$ 407,827</u>

14. CONTRACT AND GRANT AWARDS

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants. Revenues are recognized on Exhibit 2 and Schedule A. For federal and non-federal contract and grant awards, funds expended, but not collected, are included in Accounts Receivable (net) on Exhibit 1. Contract and grant awards that are not yet funded, and for which the College has not yet performed services, are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards or funds awarded during fiscal years 2015 and 2014 for which monies have not been received nor funds expended totaled \$508,394 and \$695,052, respectively. Of these amounts, \$237,309 and \$695,052 were from Federal contracts and grant awards and \$271,085 and \$0 were from State contracts and grant awards for fiscal years ended 2015 and 2014, respectively.

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

15. AD VALOREM TAX

The College's ad valorem property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College.

	August 31,		
	2015	2014	
Assessed Valuation of the College	\$ 110,896,260	\$ 103,234,910	
Less: Exemptions	(726,760)	(808,540)	
Less: Abatements	-	-	
Net Assessed Valuation of the College	\$ 110,169,500	\$ 102,426,370	
	Current Operations	Debt Service	Total
At August 31, 2015			
Tax Rate per \$100 valuation of authorized	\$ 0.50000	\$ -	\$ 0.50000
Tax Rate per \$100 valuation of assessed	\$ 0.24777	\$ -	\$ 0.24777
At August 31, 2014			
Tax Rate per \$100 valuation of authorized	\$ 0.50000	\$ -	\$ 0.50000
Tax Rate per \$100 valuation of assessed	\$ 0.24333	\$ -	\$ 0.24333

Taxes levied for the years ended August 31, 2015 and 2014 were \$268,384, and \$254,472, respectively. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

	August 31, 2015		
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 254,094	\$ -	\$ 254,094
Delinquent Taxes Collected	12,292	-	12,292
Penalties and Interest Collected	7,890	-	7,890
Total Gross Collections	274,276	-	274,276
Tax Appraisal & Collection Fees	(25,856)	-	(25,856)
Bad Debt Expense	-	-	-
Total Net Collections	\$ 248,420	\$ -	\$ 248,420

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

15. AD VALOREM TAX (continued)

	August 31, 2014		
	Current Operations	Debt Service	Total
Current Taxes Collected	\$ 237,012	\$ -	\$ 237,012
Delinquent Taxes Collected	14,543	-	14,543
Penalties and Interest Collected	5,907	-	5,907
	257,462	-	257,462
Total Gross Collections	257,462	-	257,462
Tax Appraisal & Collection Fees	(18,011)	-	(18,011)
Bad Debt Expense	-	-	-
	-	-	-
Total Net Collections	\$ 239,451	\$ -	\$ 239,451

Tax collections for the years ended August 31, 2015 and 2014 were 102% and 101% of the current tax levy, respectively. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of current operations / maintenance.

16. INCOME TAXES

The College is exempt from income taxes under Internal Revenue Code Section 115, Income of States, Municipalities, Etc., although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations. The College had no unrelated business income tax liability for the years ended August 31, 2015 and 2014.

17. COMPONENT UNIT

Ranger College Foundation, Inc. - Discretely Presented Component Unit

The Ranger College Foundation, Inc. (Foundation) was established as a separate nonprofit organization with the sole purpose of supporting the educational and other activities of the College. The Foundation solicits donations and acts as coordinator of gifts made by other parties. It did not remit any funds to the College during the years ended August 31, 2015 and 2014, respectively. The Foundation received contributions with a fair value of \$1,583,470 from the College in fiscal year 2015. Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an organization should report as a discretely presented component unit those organizations that raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation's financial statements are included in the College's annual report as a discrete component unit (see table of contents).

RANGER COLLEGE DISTRICT
Notes to the Financial Statements
August 31, 2015 and August 31, 2014

18. OPERATING LEASE COMMITMENTS AND RENTAL AGREEMENT

Expenses include \$143,341 and \$141,646 for rent paid under operating leases during the fiscal years ended August 31, 2015 and August 31, 2014, respectively. Future minimum lease rental payments under noncancellable operating leases having an initial term in excess of one year as of August 31, 2015 are as follows:

Year Ended August 31,	Amount
2016	\$ 201,191
2017	176,246
2018	127,333
2019	127,333
2020	<u>76,616</u>
Total	<u>\$ 708,719</u>

19. RISK MANAGEMENT

The College has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the College's assets. Accordingly, commercial insurance coverages are obtained to include general liability, property and casualty, employee and automobile liability, fidelity, public official's liability and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

20. SUBSEQUENT EVENTS

On October 21, 2015, the College entered into a construction management agreement with Waldrop Construction Company, Inc. for the 2015 Stephenville Projects. The contract sum is guaranteed by the construction manager not to exceed \$660,248, subject to additions and deductions by change order as provided in the contract documents. As of August 31, 2015 the College had not incurred any costs related to this contract.

REQUIRED SUPPLEMENTARY INFORMATION

RANGER COLLEGE DISTRICT
Schedule of the College's Share of Net Pension Liability
For the Year Ended August 31, 2015

Fiscal Year Ending August 31*,	2015**
TRS net position as percentage of total pension liability	83.25%
College's proportionate share of collective net pension liability (NPL) (%)	0.0037633%
College's proportionate share of collective NPL (\$)	\$ 1,005,230
Portion of State's total proportionate share of NPL associated with the College	<u>628,357</u>
Total	<u><u>\$ 1,633,587</u></u>
College's covered payroll amount	\$ 1,992,401
Ratio of College's proportionate share of collective NPL / College's covered payroll amount	50.45%

*The amounts presented above are as of the measurement date (August 31, 2014) of the collective net pension liability.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RANGER COLLEGE DISTRICT
Schedule of the College's Contributions
For the Year Ended August 31, 2015

<u>Fiscal Year Ending August 31*,</u>	<u>2015**</u>
Legally required contributions	\$ 110,821
Actual contributions	<u>110,821</u>
Contributions deficiency (excess)	<u>\$ -</u>
College's covered payroll amount	\$ 2,186,874
Ratio of actual contributions / College's covered payroll amount	5.07%

* The amounts presented above are as of the College's most recent fiscal year-end.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTAL INFORMATION

RANGER COLLEGE DISTRICT
Schedule A
Schedule of Operating Revenues
For the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Total				Totals	
	Unrestricted	Restricted	Educational Activities	Auxiliary Enterprises	August 31, 2015	August 31, 2014
Tuition						
State Funded Credit Courses						
In-District Resident Tuition	\$ 54,867	\$ -	\$ 54,867	\$ -	\$ 54,867	\$ 24,334
Out-of-District Resident Tuition	3,560,717	-	3,560,717	-	3,560,717	3,141,406
Non-Resident Tuition	149,185	-	149,185	-	149,185	98,294
TPEG - credit (set aside)*	240,304	-	240,304	-	240,304	222,259
State Funded Continuing Education	944,793	-	944,793	-	944,793	219,078
Non-State Funded Continuing Education	-	-	-	-	-	-
Non-course remedial instruction	-	-	-	-	-	-
Total Tuition	<u>4,949,866</u>	<u>-</u>	<u>4,949,866</u>	<u>-</u>	<u>4,949,866</u>	<u>3,705,371</u>
Fees						
General Fee	648,051	-	648,051	-	648,051	635,146
Laboratory Fee	56,144	-	56,144	-	56,144	33,803
Registration fees	368,719	-	368,719	-	368,719	381,452
Educational Service fees	231,630	-	231,630	-	231,630	240,583
Other fees	320,731	-	320,731	-	320,731	269,032
Total Fees	<u>1,625,275</u>	<u>-</u>	<u>1,625,275</u>	<u>-</u>	<u>1,625,275</u>	<u>1,560,016</u>
Scholarship Allowances and Discounts						
Bad Debt Allowance	(239,089)	-	(239,089)	-	(239,089)	(270,479)
Scholarship Allowances	(570,614)	-	(570,614)	-	(570,614)	(443,990)
Title IV Federal Program	(2,154,558)	-	(2,154,558)	-	(2,154,558)	(1,662,307)
TPEG Awards	(150,204)	-	(150,204)	-	(150,204)	(136,251)
Other State Grants	(12,023)	-	(12,023)	-	(12,023)	(15,469)
Total Scholarship Allowances	<u>(3,126,488)</u>	<u>-</u>	<u>(3,126,488)</u>	<u>-</u>	<u>(3,126,488)</u>	<u>(2,528,496)</u>
Total Net Tuition and Fees	<u>3,448,653</u>	<u>-</u>	<u>3,448,653</u>	<u>-</u>	<u>3,448,653</u>	<u>2,736,891</u>
Additional Operating Revenues						
Federal Grants and Contracts	-	358,017	358,017	-	358,017	322,002
State Grants and Contracts	-	1,428,720	1,428,720	-	1,428,720	1,029,271
Local Grants and Contracts	410,100	-	410,100	-	410,100	156,150
Sales and Services of Educational Activities	60,122	-	60,122	-	60,122	57,053
Other Operating Revenues	283,340	-	283,340	-	283,340	587,255
Total Additional Operating Revenues	<u>753,562</u>	<u>1,786,737</u>	<u>2,540,299</u>	<u>-</u>	<u>2,540,299</u>	<u>2,151,731</u>
Auxiliary Enterprises						
Residential life	-	-	-	427,646	427,646	375,648
Less Discounts	-	-	-	(232,578)	(232,578)	(213,797)
Bookstore	-	-	-	536,413	536,413	503,006
Less Discounts	-	-	-	(288,330)	(288,330)	(266,800)
Food Services	-	-	-	935,573	935,573	920,901
Less Discounts	-	-	-	(601,993)	(601,993)	(521,482)
Total Net Auxiliary Enterprises	<u>-</u>	<u>-</u>	<u>-</u>	<u>776,731</u>	<u>776,731</u>	<u>797,476</u>
Total Operating Revenues	<u>\$ 4,202,215</u>	<u>\$ 1,786,737</u>	<u>\$ 5,988,952</u>	<u>\$ 776,731</u>	<u>\$ 6,765,683</u>	<u>\$ 5,686,098</u>
				(Exhibit 2)	(Exhibit 2)	

* In accordance with Education Code 56.033, \$240,304 and \$222,259 for years August 31, 2015 and 2014, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

RANGER COLLEGE DISTRICT
Schedule B
Schedule of Operating Expenses by Object
For the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Operating Expenses				Totals	
	Salaries and Wages	Benefits		Other Expenses	August 31, 2015	August 31, 2014
		State Benefits	Local Benefits			
Unrestricted Educational Activities						
Instruction	\$ 2,930,971	\$ -	\$ 451,376	755,222	\$ 4,137,569	\$ 3,555,342
Academic Support	482,845	-	74,359	75,701	632,905	486,710
Student Services	407,333	-	62,730	101,984	572,047	495,354
Institutional Support	650,163	-	100,127	810,440	1,560,730	1,461,531
Operation and Maintenance of Plant	199,977	-	-	457,978	657,955	610,907
Total Unrestricted Educational Activities	4,671,289	-	688,592	2,201,325	7,561,206	6,609,844
Restricted Educational Activities						
Instruction	77,284	335,384	-	1,198,158	1,610,826	786,156
Academic Support	-	55,251	-	-	55,251	18,627
Student Services	172,061	46,610	-	37,441	256,112	214,892
Institutional Support	-	74,397	-	-	74,397	12,990
Operation and Maintenance of Plant	-	-	-	-	-	15,517
Scholarships and Fellowships	-	-	-	845,712	845,712	1,548,765
Total Restricted Educational Activities	249,345	511,642	-	2,081,311	2,842,298	2,596,947
Total Educational Activities	4,920,634	511,642	688,592	4,282,636	10,403,504	9,206,791
Auxiliary Enterprises	93,047	-	-	1,855,773	1,948,820	1,813,592
Depreciation Expense - Buildings and Land Improvements	-	-	-	361,376	361,376	214,047
Depreciation Expense - Furniture, Machinery, Vehicles, and Other Equipment	-	-	-	162,217	162,217	138,973
Total Operating Expenses	\$ 5,013,681	\$ 511,642	\$ 688,592	\$ 6,662,002	\$ 12,875,917 (Exhibit 2)	\$ 11,373,403 (Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule C
Schedule of Non-Operating Revenues and Expenses
For the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Auxiliary Enterprises</u>	<u>Totals</u>	
				<u>August 31, 2015</u>	<u>August 31, 2014</u>
Non-Operating Revenues					
State Appropriations					
Education and General State Support	\$ 3,354,665	\$ -	\$ -	\$ 3,354,665	\$ 3,374,476
State Group Insurance	-	408,083	-	408,083	380,213
State Retirement Matching	-	103,559	-	103,559	93,194
Professional Nursing Shortage Reduction	-	20,400	-	20,400	16,307
Miscellaneous Revenues	-	4,500	-	4,500	-
Total State Appropriations	<u>3,354,665</u>	<u>536,542</u>	<u>-</u>	<u>3,891,207</u>	<u>3,864,190</u>
Maintenance Ad Valorem Taxes	274,276	-	-	274,276	257,462
Federal Revenue, Non-Operating	-	3,284,522	-	3,284,522	3,505,777
Gifts	465	-	5	470	1,604
Investment Income	72,617	-	-	72,617	176,656
Total Non-Operating Revenue	<u>3,702,023</u>	<u>3,821,064</u>	<u>5</u>	<u>7,523,092</u>	<u>7,805,689</u>
Non-Operating Expenses					
Interest on Capital Related Debt	76,138	-	-	76,138	158,103
Donation to Ranger College Foundation, Inc.	1,583,470	-	-	1,583,470	-
Total Non-Operating Expenses	<u>1,659,608</u>	<u>-</u>	<u>-</u>	<u>1,659,608</u>	<u>158,103</u>
Net Non-Operating Revenues (Expenses)	<u>\$ 2,042,415</u>	<u>\$ 3,821,064</u>	<u>\$ 5</u>	<u>\$ 5,863,484</u>	<u>\$ 7,647,586</u>
				(Exhibit 2)	(Exhibit 2)

RANGER COLLEGE DISTRICT
Schedule D
Schedule of Net Position by Source and Availability
For the Year Ended August 31, 2015
(With Memorandum Totals for the Year Ended August 31, 2014)

	Detail by Source				Available for Current Operations		
	Unrestricted	Restricted		Capital Assets Net of Depreciation and Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current							
Unrestricted	\$ 3,162,052	\$	\$	\$	\$ 3,162,052	\$ 3,162,052	\$
Board Designated					-		
Restricted					-		
Student Aid					-		
Instructional Programs					-		
Auxiliary Enterprises	280,347				280,347		280,347
Loan					-		
Endowment					-		
Quasi					-		
Unrestricted					-		
Restricted					-		
Endowment					-		
True					-		
Term (per instructions at maturity)					-		
Life Income Contracts					-		
Annuities					-		
Plant					-		
Unexpended					-		
Capital Projects					-		
Debt Service		325,501			325,501		325,501
Investment in Plant				3,285,010	3,285,010		3,285,010
Totals							
Net Position, August 31, 2015	3,442,399	325,501	-	3,285,010	7,052,910 (Exhibit 1)	3,162,052	3,890,858
Net Position, August 31, 2014, restated	3,641,910	789,511	-	2,868,239	7,299,660 (Exhibit 2)	3,703,641	3,596,019
Net Increase (Decrease) In Net Position	<u>\$ (199,511)</u>	<u>\$ (464,010)</u>	<u>\$ -</u>	<u>\$ 416,771</u>	<u>\$ (246,750)</u> (Exhibit 2)	<u>\$ (541,589)</u>	<u>\$ 294,839</u>

**OVERALL COMPLIANCE AND
INTERNAL CONTROLS SECTION**



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Regents
Ranger College District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ranger College District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ranger College District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ranger College District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ranger College District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-016 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-017, 2015-018, and 2015-019 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-020, 2015-021, and 2015-022.

We have performed tests designed to verify the College's compliance with the requirements of the Public Funds Investment Act (PFIA). During the year ended August 31, 2015, one instance of noncompliance related to the PFIA was noted and described in the accompanying schedule of findings and questioned costs as item 2015-021.

Ranger College District's Response to Findings

Ranger College District's response to the findings identified in our audit is described in the accompanying corrective action plan. Ranger College District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Snow Garrett Williams

Snow Garrett Williams
December 16, 2015

RANGER COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2015

There were no findings or questioned costs noted in the prior year relative to Federal or State awards.

**RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
 Material weakness(es) identified? X yes no
 Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported
 Noncompliance material to financial statements noted? X yes no

Federal and State Awards

Internal control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported
 Type of auditor's report issued on compliance for major programs: unmodified
 Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of Major Programs:

Federal Awards

U.S. Department of Education:
 Student Financial Assistance Cluster of Programs:
 CFDA # 84.007 Federal Supplemental Education Opportunity Grant
 CFDA # 84.033 Federal College Workstudy Program
 CFDA # 84.063 Federal Pell Grant Program
 CFDA # 84.268 Federal Direct Student Loans

State Awards

Texas Workforce Commission
 N/A Skills Development Fund - Manufacturing Consortium

Dollar threshold used to distinguish between Type A and Type B federal and state programs: \$ 300,000

Auditee qualified as a low-risk auditee? yes X no

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Section II – Financial Statement Findings

Findings required to be reported in accordance with *Government Auditing Standards*:

2015-001 Material Weakness: Financial Accounting and Reporting Process

2014-001

2013-001

12-1

11-1 &

10-1

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans, and to safeguard assets.

Condition: Limited internal controls resulted in inadequate preparation and review of financial reports, accounting records, and reconciliations as well as errors in recording transactions in the general ledger. Material adjusting entries were necessary to correct the balances and transactions in order to prepare accurate financial statements.

Cause: It appears that these conditions are the result of weaknesses in internal controls regarding monitoring financial information, reconciliation of financial reports to related documentation, and recording transactions in the general ledger in a timely manner.

Effect: Due to material audit adjustments to numerous accounts, financial reports prepared throughout the fiscal year could have been relied upon in error.

Auditor's Recommendation: The College should continue developing and implementing policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in the general ledger in a timely manner to produce more useful and accurate financial reports.

2015-002 Material Weakness: Key Financial Personnel

Criteria: The College's key financial personnel should possess a strong understanding of accounting principles generally accepted in the United States of America and be competent in applying and implementing basic accounting procedures as well as complex technical governmental accounting pronouncements.

Condition: The current key financial personnel do not have the accounting education or experience to perform or supervise the entire accounting function or identify accounting errors.

Cause: Key financial personnel do not possess sufficient accounting education or experience necessary for financial statement reporting.

Effect: General ledger accounts are not reconciled regularly and key financial personnel lack the understanding of natural account balances which could lead to the financial statements being materially misstated.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Auditor's recommendation: The College should require the current key financial personnel to obtain training to develop the needed competencies over time and hire a consultant with the appropriate governmental accounting knowledge to manage the accounting function until key financial personnel obtain the required competencies and consider hiring additional experienced and qualified personnel to assist with the accounting function.

2015-003 Material Weakness: System Integration

Criteria: The College's POISE accounting system software, which includes different subsystems, should interact between the subsystems and the general ledger.

Condition: Detail reports from subsidiary ledgers, such as the student billing system, did not agree to the general ledger.

Cause: The subsystem has not been accurately programmed to communicate or record all transactions into the general ledger system correctly.

Effect: Several material general ledger adjustments were required in order to properly report financial statement amounts.

Auditor's recommendation: The College should consider hiring a consultant to review the general ledger accounting system and subsidiary ledgers to determine why the systems are not properly integrated and determine how to resolve the issues.

2015-004 Material Weakness: Budget Process

Criteria: The budget is an important control that is based on past experience and management's intentions or expectations of future conditions that will affect the College. The budget is designed as an internal control tool and is used to compare budget and actual results throughout the year. Large variances should be investigated and explained in order to determine if any necessary corrective action is considered necessary.

Condition: The Board did not utilize budget controls as designed, including not approving new employee positions through the budget process. In salary and wage accounts alone, the College exceeded the final approved budget by over \$613,000.

Cause: The management and Board of Regents are not using the budget as an internal control tool by comparing it to actual results throughout the year or researching budget variances.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Effect: The College's actual expenses could significantly exceed budgeted expenses throughout the year and at year end with the College having no knowledge or explanations for over expenditure of budget amounts.

Auditor's recommendation: The College should document the factors used in building the annual budget which will assist in its periodic review of budget to actual results and assist in constructing the next year's budget. The budget should also be reviewed against actual results monthly and large variances should be investigated and explained so that any necessary corrective action can be considered. These analyses should also be included in the monthly reports to the Board of Regents to assist them in understanding financial results and their implications to be able to make informed decisions, including approving budget adjustments based on operational changes, if considered necessary.

2015-005 Material Weakness: Bank Reconciliation and Investment Reconciliation Processes

Criteria: Reconciliations of bank and investment accounts are controls designed to help identify errors in entries related to cash and investments. Appropriate controls over cash and investment accounts require complete and timely reconciliations of all bank and investment accounts to the general ledger. Also, investment accounts are required to be reported at their current fair market value and all investment transactions occurring during the fiscal year, including unrealized gains or losses, should be recorded in the general ledger.

Condition: Timely bank reconciliations were prepared; however, the reconciled balances did not agree to the general ledger balances until the August 2015 bank reconciliation in which the cash balances were adjusted through miscellaneous revenue. Prior to the College's adjustment and audit adjustments, the local bank account was overstated by approximately \$100,000. Additionally, bank reconciliations were not properly reviewed throughout the year.

The College donated common stock during the fiscal year to the Ranger College Foundation (a component unit of Ranger College). At fiscal year end, the common stock was still recorded as an investment on the College's general ledger at the prior year fair market value.

Cause: Bank reconciliation balances were not compared to the general ledger balances and therefore variances were not known and discrepancies were not researched or resolved before finalizing the reconciliations. Investment transactions, including donations and unrealized gains or losses, were not recorded in the general ledger.

Effect: Material adjustments were necessary to correct the general ledger cash and investment balances at year end.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Auditor's recommendation: All bank account and investment transactions should be recorded when they occur and any changes in investment value should be adjusted monthly in order to properly report investment balances.

Bank and investment account reconciliation balances should be compared to the general ledger balances and discrepancies should be researched and resolved. Also, all reconciliations should be reviewed once they are prepared and agreed to the general ledger.

2015-006 Material Weakness: Student Accounts Receivable and Related Tuition and Fee Revenues
& 2014-003

Criteria: The student billing system within POISE is used to track the student's charges and payments received. The system includes assigned transaction codes for the revenue (charges) and how the receivables were relieved. Amounts are transferred into the general ledger accounts based on how the transaction codes were assigned.

Condition: The detail reports from the student billing system did not agree to the general ledger based on the transaction types.

Cause: Proper review of the student billing system reports to the general ledger has not occurred and differences in accounts and transaction codes are not being reconciled to the general ledger.

Effect: The general ledger balances for tuition related revenue, receivables and unearned revenue were materially misstated and adjustments of more than \$3,000,000 were necessary to properly report these balances at fiscal year end.

Auditor's recommendation: The College should develop and implement procedures to ensure that student billing system transactions are correctly recorded in the general ledger and that the detailed accounts receivable listing, unearned revenue, and tuition and fee revenues are reconciled to the general ledger balance regularly. The College should also review its cut-off procedures related to revenue and unearned revenue at the end of the fiscal year to determine that the receivables, revenue and unearned revenue are properly recorded in the correct period.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

2015-007 Material weakness: Recording Capital Asset Additions

2014-004

& 2013-004

Criteria: All of the College's capital asset additions should be recorded as capital assets including renovation projects and construction in progress projects. Also, completed construction in progress projects should be reclassified to the appropriate asset category.

Condition: Capital asset additions were not recorded correctly in the general ledger. Most notable, additions related to renovations at the Ranger campus, improvements to the Stephenville center, and capitalized interest on the 2014 bonds were not recorded correctly. In addition, completed construction in progress projects from the prior year were not reclassified to the building asset category.

Cause: Improper recording of capital asset additions, especially renovations, improvements and capitalized interest, and reclassing completed construction projects appears to be the result of College personnel not properly recognizing completed and on-going projects in the general ledger.

Effect: The lack of consistently recording capital asset additions in the general ledger resulted in the misstatement of \$464,109 of capital asset additions and \$389,616 of reclassified completed construction in progress projects in the current period.

Auditor's recommendation: The College should record all capital asset additions, including renovations, improvements and capitalized interest, as asset additions rather than expenses in the general ledger. The College should also reclassify completed construction projects to the appropriate asset category.

2015-008 Material Weakness: Accounts Payable Reporting

& 2014-002

Criteria: The College's financial statements are required to be reported in accordance with Generally Accepted Accounting Principles (GAAP) and on the accrual basis of accounting. As a result, goods or services incurred prior to August 31st and not paid as of August 31st should be recorded as accounts payable.

Condition: The College accrued \$112,162 of expenses in which the goods or services were incurred prior to August 31, 2015. However, when these items were paid in September, the accounting system was rolled back to the 2015 fiscal year and the liability accrued was relieved through cash. Also, \$60,460 of additional fiscal year 2015 expenses were not properly accrued at year end and were recorded when paid.

Cause: As the accrual basis of accounting was not consistently applied at year end, cash was reduced in the general ledger in the 2015 fiscal year prior to the invoices being paid and several expenses that should have been accrued were overlooked and recorded in the general ledger when they were paid.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Effect: Not properly implementing proper cut off procedures and accruing for expenses at year end could result in cash being understated and expenses being under or over stated in the College's financial statements.

Auditor's recommendation: The College should prepare financial statements and record financial transactions consistently throughout the year using the accrual basis of accounting as required by GAAP. Additionally, the College should continue using the accounts payable package as designed; however, when the accrued invoices are paid the system should not be rolled back to the previous fiscal year as this reduced the liability and cash in the previous fiscal year. The liability for accrued goods and services should not be relieved until the check is written.

2015-009 Material Weakness: Reporting of Payroll Accrual

Criteria: The payroll accrual for employees' hours worked prior to fiscal year end but not paid until after fiscal year end is required to be reported as a liability in accordance with GAAP.

Condition: The College prepared the calculation of the payroll accrual as of the fiscal year end, but did not record the liability and related expenses for this accrual in the general ledger.

Cause: The accrual basis of accounting was not consistently applied at year end as the payroll accrual liability and related expenses were not recorded in the general ledger.

Effect: Failure to record the payroll accrual liability and related expenses resulted in liabilities and expenses being understated by \$342,803 in the College's financial statements.

Auditor's recommendation: The College should develop and implement year end procedures to ensure that payroll accrual liabilities and related expenses are properly recorded in the College's general ledger.

2015-010 Material Weakness: Payroll Related Liability Reconciliation and the Payroll System

Criteria: Various payroll liabilities are created in the general ledger by the POISE accounting software system during the College's payroll processing. These liabilities should clear out to zero balances once the applicable liabilities are paid. Also, the payroll system within the College's POISE accounting software should be configured to properly calculate wage categories and record transactions.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Condition: The POISE accounting software is not configured correctly and therefore is not coding some activities to the correct accounts. Fourteen payroll liability accounts in the College's general ledger required adjusting journal entries, including five accounts in which the liability was a debit balance when liability balances typically have credit balances and two accounts required material adjustments in order to accurately report payroll related liabilities in the general ledger.

Cause: The POISE payroll system has not been adequately setup to code all payroll transactions to the correct accounts. Additionally, no reconciliations were performed throughout the year to determine that payroll liability accounts were properly clearing out after payroll liabilities were paid.

Effect: Because the payroll system was not set up correctly, several accounts were materially misstated at fiscal year end. Failure to record, reconcile and adjust payroll liabilities throughout the year resulted in these liabilities being overstated by approximately \$194,000 in the general ledger prior to the audit adjustments.

Auditor's recommendation: The College should perform a complete review of the POISE payroll system to determine if activities are being coded to the correct general ledger accounts. The College should also verify that the system is calculating each type of gross wages correctly, such as Medicare gross wages.

Additionally, the College should develop and implement reconciliation procedures to ensure that payroll related liabilities are properly recorded in the College's general ledger and clearing out when the liabilities are paid.

2015-011 Material Weakness: Recording Grant Receivable, Revenue and Expenses
2014-007

2013-007 & Criteria: All of the College's operating and nonoperating grant funding should be recorded
12-6 as revenue in the general ledger as related grant expenses are incurred. Grant receivables
 should also be recorded as revenue is recognized.

Condition: Grant receivable, revenue and expenses were not recorded consistently in the general ledger.

Cause: The unrecorded grant receivables and revenues appear to be a result of College personnel inconsistently recording grant receivables as the revenue and expenses are incurred. The unrecorded grant expenses were related to non-cash transactions for continuing education courses.

Effect: The lack of consistently recording grant receivables and revenues relating to current year receivables resulted in receivables and revenue being understated by approximately \$160,000 prior to adjusting journal entries. Additionally unrecorded grant expenses related to non-cash transactions for continuing education courses resulted in grant expenses being understated \$797,200 for the fiscal year.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

Auditor's recommendation: The College should record grant receivable and revenue as the related grant expenses are incurred. Additionally, all grant expenses should be recorded as the expenses are incurred.

2015-012 Material Weakness: Recording State Benefit Contributions

2014-006

2013-006 Criteria: Noncash contributions from other entities for staff benefits should be recorded as revenues and expenses as required by Governmental Accounting Standards.

12 -5 &

11-7

Condition: The College did not record revenues or expenses related to noncash contributions received from other entities for retirement and health insurance benefits.

Cause: The unrecorded noncash contributions for retirement and health insurance benefits appear to be the result of the lack of understanding that noncash contributions are required to be recorded as revenue and expense.

Effect: The lack of recording noncash contributions in the general ledger when benefits are received resulted in revenues and expenses being understated \$585,942.

Auditor's recommendation: The College should develop and implement procedures and controls over recording and reconciling revenues and expenses related to noncash contributions received from other entities on a monthly basis.

2015-013 Material Weakness: Recording Fundraising Revenues

Criteria: In accordance with GAAP, revenues received by the College should be recorded in revenue accounts, rather than as an off-set to expense accounts in the general ledger.

Condition: Fundraising revenue received from various student programs was recorded as an off-set to the applicable student program expenses.

Cause: Recording fundraising revenues received as an off-set to a related expense appears to be due to the College following previous years' procedures for coding these revenues.

Effect: The lack of properly recording fundraising revenue in the general ledger resulted in revenues and expenses being understated by approximately \$174,000 for the fiscal year.

Auditor's recommendation: The College should develop and implement procedures and controls over recording fundraising revenues for student programs to ensure the proper recognition of revenue and expenses in the general ledger.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

2015-014 Material Weakness: Recording Depreciation Expense

Criteria: In accordance with GAAP, depreciation expense and related accumulated depreciation on the College's capital assets should be recorded in the general ledger based on the College Capitalization Policy's method of depreciation and the useful lives of the capital assets.

Condition: Depreciation expense and the related accumulated depreciation for the fiscal year were not recorded in the general ledger.

Cause: The College did not prepare any adjusting journal entries throughout the year to record an estimate of depreciation expense.

Effect: Failure to record depreciation expense resulted in expenses that were understated, and net capital assets that were overstated by \$523,593.

Auditor's recommendation: The College should develop and implement procedures and controls to ensure that an estimate of depreciation expense is recorded in the general ledger at least annually.

2015-015 Material Weakness: Classification of Group Health Insurance Expense

Criteria: Disbursements for group health insurance (for the College's active and retired employees) should be recorded as an expense in the general ledger.

Condition: A portion of the College's group health insurance was not being recorded as an expense.

Cause: The College payroll system within the POISE accounting software is not setup to correctly record all of the College's group health insurance expense.

Effect: Failure to properly record expenses resulted in group health insurance expense for the College being understated by \$141,231.

Auditor's recommendation: The College should review and reconcile the accounts used to record group health insurance expense and record this expense correctly throughout the year.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

2015-016 Material Weakness: Recording Donation to Ranger College Foundation

Criteria: The Board approved the transfer of funds to the Ranger College Foundation (a component unit of Ranger College) in April 2015. The funds were transferred from various College bank accounts to the Foundation's bank account. Since the Foundation is a separate entity, the transfer of money from the College to the Foundation should be recorded as a donation.

Condition: The College did not record the transfer of monies to the Foundation as a donation expense.

Cause: The College recorded the transfer of monies through due to / due from accounts in the College's general ledger, therefore the expense of the College and the revenue of the Foundation were not properly recorded.

Effect: Failure to record the donation to Ranger College Foundation resulted in expenses being understated by \$1,345,411.

Auditor's recommendation: Although the Foundation's general ledger is maintained as a separate fund in the College's accounting software, the Foundation is a separate entity. All funds donated to the Foundation should be recorded as an expense to the College and as revenue in the Foundation's general ledger.

2015-017 Significant Deficiency: Adjusting Journal Entries

2014-005

2013-005

12-4

11-6 &

10-5

Criteria: Adjusting journal entries may significantly affect the general ledger. Proper preparation, review, and approval of journal entries are crucial controls of financial reporting and accounting.

Condition: Journal entries recorded in the general ledger were not reviewed or properly classified in the general ledger and included limited explanations for the purpose of the adjustments.

Cause: Improper journal entries appear to be caused by the lack of a proper approval process for adjustments, and limited explanations and supporting documentation for adjustments.

Effect: Improper journal entries could result in significant errors in the general ledger and misstatements in the financial statements.

Auditor's recommendation: The College should develop and implement controls over journal entries to assure that entries are properly prepared, reviewed, and approved. These controls over journal entries will ensure that the adjustments are being recorded correctly in the College's general ledger.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

2015-018 Significant Deficiency: Internal Controls over Revenue and Accounts Receivable Cycle

Criteria: Internal controls over revenue and accounts receivable are necessary to determine that revenues and related receivables are being accurately and timely recorded in the general ledger. These key controls should include appropriate review of rates set up in the student billing system; management review of the College's financial statements, including revenue and receivable accounts; review and reconciling receivable sub-ledgers to the general ledger; review of delinquent accounts; and daily reconciliation of cash receipts to the general ledger.

Condition: The College does not have key internal controls in place over the revenue and accounts receivable cycle.

Cause: The College has not properly designed adequate internal controls over their revenue and accounts receivable system.

Effect: Lack of properly designed and implemented internal controls over the revenue and accounts receivable system could lead to financial statements being materially misstated.

Auditor's recommendation: The College should develop and implement policies and procedures that include sufficient internal controls over the College's revenue and accounts receivable cycle to assure that revenues are accurately recorded in the general ledger and receivables are being relieved when accounts are paid. These controls over revenues and receivables will assist in reducing the risk of financial statements being materially misstated.

2015-019 Significant Deficiency: Classification of Expenses

Criteria: The correct coding of all expenditures is essential for accurate and useful financial statements.

Condition: Account coding of expenses was inconsistent.

Cause: Improper expense account classification appears to be caused by the lack of a proper approval process for disbursements that includes the review and approval of expense accounts used for disbursements.

Effect: Inappropriate classification of expenses could result in significant errors in the general ledger and misstatements to the financial statements.

Auditor's recommendation: To make the monthly financial statements a meaningful analysis tool, care should be taken to properly and consistently classify expenditures. The College should continue reviewing and updating controls over disbursements to ensure consistent expense classification and accurate financial statements reporting.

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

2015-020 Non-compliance: Administrator Contract

Criteria: According to Section 51.948 of the *Texas Education Code*, a contract entered into by the Board may not provide for employment for more than three years.

Condition: In the November 17, 2014 Board meeting, the Board approved revisions to the President's contract which included making the term five years.

Cause: The College Board was not aware of the State laws related to restrictions on contracts with administrators.

Effect: The College is not in compliance with *Texas Education Code* Section 51.948.

Auditor's recommendation: The College should strive to comply with State law requirements related to contracts with administrators.

2015-021 Non-compliance: Investment Policy

Criteria: According to Section 2256.005(e) of the Texas Public Funds Investment Act (PFIA), the Board is to review its investment policy and investment strategies not less than annually. The Board is to also adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument adopted is to record any changes made to either the investment policy or investment strategies.

Condition: The College did not review or adopt a written instrument stating that it reviewed the investment policy or investment strategies in the 2015 fiscal year.

Cause: The investment policy was not formally reviewed and approved during the 2015 fiscal year.

Effect: The College is not in compliance with PFIA Section 2256.005(e).

Auditor's recommendation: The College should review and adopt a written instrument stating that it has reviewed the investment policy and investment strategies not less than annually as required by PFIA.

2015-022 Non-compliance: Purchasing Requirements

Criteria: According to Section 44.031 of the *Texas Education Code*, all contracts for the purchase of goods and services valued at \$50,000 or more in the aggregate for each 12-month period must be made by a method listed in this section (i.e. competitive bidding, competitive sealed proposals, requests for proposals, interlocal contracts, etc.) that provides the best value for the College.

**RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015**

Condition: The College did not obtain appropriate contracts based on the methods required by the State for five of the eleven vendors tested.

Cause: College management was not aware of the State purchasing law limits.

Effect: The College is not in compliance with TEC Section 44.031.

Auditor's recommendation: The College should understand the State's requirements and consider obtaining training in order to comply with State purchasing laws.

Section III – Federal and State Award Findings and Questioned Costs

Findings/Noncompliance	Program	Questioned Costs
2015-023	Non-compliance and Significant Deficiency in Internal Controls: Federal Pell Grant Program - Eligibility	Federal Pell Grant
	<u>Program:</u> CFDA 94.063, Federal Pell Grant Program from U.S. Department of Education	
	<u>Criteria:</u> A student must maintain good standing, or satisfactory academic progress, in order to be eligible for the Federal Pell Grant according to Title 34 of the Code of Federal Regulations (CFR) sections 668.16, 668.32, 668.34, 690.75, 675.9, 676.9, 674.9, 685.200, 20 USC 1070h; Title 42 CFR section 57.306; and Title 42 USC 293a(d)(2).	
	<u>Condition:</u> A student not maintaining good standing, or satisfactory academic progress, was awarded \$2,865 Federal Pell Grant in the Spring 2015 semester.	
	<u>Questioned Costs:</u> \$2,865	
	<u>Cause:</u> This occurred due to a lack of internal control over eligibility compliance. The student was placed on financial aid warning twice because the financial aid system did not flag the student account as being on a warning status and the paper copy of the warning status letter had not been filed in the student's file.	
	<u>Effect:</u> The award of \$2,865 is subject to disallowance, and is, therefore, considered a questioned cost.	
	<u>Auditor's recommendation:</u> The College's procedures in place to determine the eligibility requirement of maintaining good standing, or satisfactory academic progress, should be followed and monitored for every student applying for federal financial aid.	

RANGER COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2015

2015-024 Significant Deficiency in Internal Controls: Skills Development Fund - Manufacturing Consortium - Reporting

Program: Skills Development Fund - Manufacturing Consortium from Texas Workforce Commission (TWC)

Criteria: The amounts reported on the College's internal Monthly Expenditure and Cash Needs report were used to complete Monthly Expenditure Reports submitted to TWC. These amounts should be reviewed and verified to the expenses in the College's general ledger.

Condition: The College is lacking adequate internal controls over grant reporting compliance. Monthly Expenditure Reports submitted to TWC did not agree to the general ledger.

Questioned Costs: None

Cause: The amounts reported on the College's internal Monthly Expenditure and Cash Needs report were used to complete Monthly Expenditure Reports submitted to TWC. However, these amounts were not reviewed or verified to the expenses in the College's general ledger.

Effect: The amounts reported might not include all grant expenses or might include more grant expenses than were reported in the College's general ledger.

Auditor's recommendation: The College should consider developing and implementing procedures that include proper review and verification of amounts reported on the TWC Monthly Expenditure Reports and to verify that the amounts agree to the expenses in the College's general ledger.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2015

Ranger College respectfully submits the following corrective action plan for the year ended August 31, 2015.

The findings from the August 31, 2015 Schedule of Findings and Questioned Costs are discussed below. The finding numbers are consistent with the numbers assigned in the schedule.

Finding – Financial Statements

The College's Chief Financial Officer (CFO) agrees with the findings and the necessary corrective actions are being reviewed and implemented.

2015-001 Material Weakness: Financial Accounting & Reporting Process

Recommendation: The College should continue developing and implementing policies and procedures to include strong internal controls related to financial reporting and monitoring, including the preparation of reconciliations and recording of financial transactions in the general ledger in a timely manner to produce more useful and accurate financial reports.

Planned Corrective Actions:

1. Strongly designed internal controls, regular reconciliations of accounts and sub-ledgers, and proper recording of all financial transactions as required by accounting principles generally accepted in the United States of America (GAAP) are the basis for financial operations and reporting for the College.
2. The Corrective Action Plans for the remaining findings in this report will specifically address the identified needs which have resulted in this finding for the past six years.
3. Financial statements must be prepared and reviewed prior to presentation to the Board to ensure that they properly and fully represent the financial activity for the month.
4. Financial statements and reports submitted to any external entity by the College must be prepared and reviewed prior to submission to ensure that they properly and fully represent the financial activity for the reporting period.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2015

2015-002

Material Weakness: Key Financial Personnel

Recommendation: The College should require the current key financial personnel to obtain training to develop the needed competencies over time and hire a consultant with the appropriate governmental accounting knowledge to manage the accounting function until key financial personnel obtain the required competencies and consider hiring additional experienced and qualified personnel to assist with the accounting function.

Planned Corrective Actions:

1. The College has hired an accounting consultant with multiple years of experience in higher education accounting. Key financial personnel are working with the consultant daily to gain knowledge and required competencies.
2. Key financial personnel and other members of the Business Office will attend training from Jenzabar in the modules of Poise that the College uses. This includes the payroll, student accounts receivable and the fiscal modules.
3. The College will require key financial personnel to attend training in governmental and non-profit accounting.
4. The College has also created a new position in the Business Office that will assist key financial personnel in accounting functions.

2015-003

Material Weakness: System Integration

Recommendation: The College should consider hiring a consultant to review the general ledger accounting system and subsidiary ledgers to determine why the systems are not properly integrated and determine how to resolve the issues.

Planned Corrective Actions:

1. Poise will be contacted to help develop a plan of action for reviewing the general ledger accounting system and subsidiary ledger systems. Poise may be able to directly provide consulting services to resolve the integration, or should be able to recommend consultants with both Poise and higher education financial experience.
2. The College will implement the developed changes to ensure that the subsidiary ledgers properly post transactions to the general ledger.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2015

3. The College may want to consider a redesign of the general ledger account structure so that balance sheet accounts are separate and distinct from income statement accounts, and that accounts are consistent across all funds.

2015-004 Material Weakness: Budget Process

Recommendation: The College should document the factors used in building the annual budget which will assist in its periodic review of budget to actual results and assist in constructing the next year's budget. The budget should also be reviewed against actual results monthly and large variances should be investigated and explained so that any necessary corrective action can be considered. These analyses should also be included in the monthly reports to the Board of Regents to assist them in understanding financial results and their implications to be able to make informed decisions, including approving budget adjustments based on operational changes, if considered necessary.

Planned Corrective Actions:

1. The budgeting process will be documented as a procedure for use by the College.
2. A monthly financial schedule will be presented to the Board which compares the established year-to-date budget for the month to actual year-to-date income and expense categories. This report will also include explanations of any variances greater than 5%, providing both the Board and Administration with critical financial data for the College.

2015-005 Material Weakness: Bank Reconciliation and Investment Reconciliation Processes

Recommendation: All bank account and investment transactions should be recorded when they occur and any changes in investment value should be adjusted monthly in order to properly report investment balances.

Planned Corrective Actions:

1. An external accounting firm from Stephenville was contracted in November 2015 to complete monthly bank reconciliations.
2. Correcting entries will be made by Business Office staff each month upon receipt of the bank reconciliations.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2015

3. Investment transactions will be recorded each month, dated when they occur.
4. Changes in investment valuations will be recorded monthly.

2015-006

Material Weakness: Student Accounts Receivable and Related Tuition and Fee Revenues

Recommendation: The College should develop and implement procedures to ensure that student billing system transactions are correctly recorded in the general ledger and that the detailed accounts receivable listing, unearned revenue, and tuition and fee revenues are reconciled to the general ledger balance regularly. The College should also review its cut-off procedures related to revenue and unearned revenue at the end of the fiscal year to determine that the receivables, revenue and unearned revenue are properly recorded in the correct period.

Planned Corrective Actions:

1. Poise will be contacted to help develop a plan of action for reviewing how subsidiary ledger systems such as the student billing system post transactions to the general ledger. Poise may be able to directly provide consulting services, or should be able to recommend consultants with both Poise and higher education financial experience.
2. The revised billing system must record deferred revenues and receivables for fall semester with the proper dates.
3. The accounts receivable subledger(s) will be reconciled to the corresponding general ledger account(s) on a monthly basis.
4. Correcting entries will be made by the Business Office staff each month.

2015-007

Material weakness: Recording Capital Asset Additions

Recommendation: The College should record all capital asset additions, including renovations, improvements and capitalized interest, as asset additions rather than expenses in the general ledger. The College should also reclassify completed construction projects to the appropriate asset category.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2015

Planned Corrective Actions:

1. All bills paid to architects, engineers, contractors, and construction managers should be recorded as Construction in Progress (CIP) to an account on the general ledger.
2. Whomever has management oversight for construction projects should contact the Business Office when a project is completed and work with the Business Office to confirm that all bills have been charged to the CIP account.
3. The CIP account will then be closed to the appropriate capital asset account.

2015-008

Material Weakness: Accounts Payable Reporting

Recommendation: The College should prepare financial statements and record financial transactions consistently throughout the year using the accrual basis of accounting as required by GAAP. Additionally, the College should continue using the accounts payable package as designed; however, when the accrued invoices are paid the system should not be rolled back to the previous fiscal year as this reduced the liability and cash in the previous fiscal year. The liability for accrued goods and services should not be relieved until the check is written.

Planned Corrective Actions:

1. An accrual basis of accounting, firmly grounded in Generally Accepted Accounting Principles which provide proper recording of financial activities for every active business, will be followed at all times by the College.
2. Invoices will be posted in the accounting period in which the activity or purchase occurs.
3. Disbursements will be dated when the check or payment is written.
4. Training for accounting personnel will be completed so that a clear understanding of accruals is achieved.

2015-009

Material Weakness: Reporting of Payroll Accrual

Recommendation: The College should develop and implement year end procedures to ensure that payroll accrual liabilities and related expenses are properly recorded in the College's general ledger.

RANGER COLLEGE DISTRICT

Corrective Action Plan

August 31, 2015

2015-010

Material Weakness: Payroll Related Liability Reconciliation and the Payroll System

Recommendation: The College should perform a complete review of the POISE payroll system to determine if activities are being coded to the correct general ledger accounts. The College should also verify that the system is calculating each type of gross wages correctly, such as Medicare gross wages.

Planned Corrective Actions (for 009 and 010):

1. Poise will be contacted to help develop a plan of action for reviewing how the payroll system works and posts transactions to the general ledger. Poise may be able to directly provide consulting services, or should be able to recommend consultants with both Poise and higher education payroll/financial experience.
2. A review of the payroll system will also insure that all calculations and reports properly reflect current IRS, State and Federal requirements, including Form 1095.
3. Each payroll liability will be recorded and paid from a distinct general ledger account. Each account will be reconciled at least quarterly, with significant payroll accounts reconciled monthly. Any resulting balances will be corrected or written off monthly or quarterly.
4. Training for accounting personnel will be completed to develop a clear understanding of payroll accrual liabilities and related expenses, which must be properly recorded in the College's general ledger.

2015-011

Material Weakness: Recording Grant Receivable, Revenue and Expenses

Recommendation: The College should record grant receivable and revenue as the related grant expenses are incurred. Additionally, all grant expenses should be recorded as the expenses are incurred.

Planned Corrective Actions:

1. Allowable grant expenses will be recorded to the appropriate grant account when that expense is incurred, based upon the grant's established budget categories.
2. Revenues for each grant, and the corresponding receivable due from the grantor, will be recorded when the grantor is billed.

RANGER COLLEGE DISTRICT

Corrective Action Plan

August 31, 2015

2015-012 Material Weakness: Recording State Benefit Contributions

Recommendation: The College should develop and implement procedures and controls over recording and reconciling revenues and expenses related to noncash contributions received from other entities on a monthly basis.

Planned Corrective Actions:

The College will develop and implement procedures and controls over recording and reconciling revenues and expenses related to noncash contributions received from other entities on a monthly basis.

2015-013 Material Weakness: Recording Fundraising Revenues

Recommendation: The College should develop and implement procedures and controls over recording fundraising revenues for student programs to ensure the proper recognition of revenue and expenses in the general ledger.

Planned Corrective Actions:

1. Fiduciary responsibilities require appropriate procedures and controls for recording fundraising revenues for student programs. The College will develop and implement procedures and controls for these purposes.
2. The designed procedures must properly record revenues and expenses for each activity, and periodic reports should be provided to the student program for review.

2015-014 Material Weakness: Recording Depreciation Expense

Recommendation: The College should develop and implement procedures and controls to ensure that an estimate of depreciation expense is recorded in the general ledger at least annually.

Planned Corrective Actions:

Depreciation expense will be recorded monthly in order to appropriately present total expenses to the Board and Administration each month. Entries for September and October have been posted for fiscal year 2016.

RANGER COLLEGE DISTRICT

Corrective Action Plan

August 31, 2015

2015-015 Material Weakness: Classification of Group Health Insurance Expense

Recommendation: The College should review and reconcile the accounts used to record group health insurance expense and record this expense correctly throughout the year.

Planned Corrective Actions:

Group health insurance expenses will be recorded monthly, and state contributions toward group health insurance premiums will be recorded when received.

2015-016 Material Weakness: Recording Donation to Ranger College Foundation

Recommendation: Although the Foundation's general ledger is maintained as a separate fund in the College's accounting software, the Foundation is a separate entity. All funds donated to the Foundation should be recorded as an expense to the College and as revenue in the Foundation's general ledger.

Planned Corrective Actions:

The College acknowledges that the Foundation is a separate legal entity. All funds donated to the Foundation by the College will be recorded as an expense to the College, and as revenue in the Foundation's general ledger.

2015-017 Significant Deficiency: Adjusting Journal Entries

Recommendation: The College should develop and implement controls over journal entries to assure that entries are properly prepared, reviewed, and approved. These controls over journal entries will ensure that the adjustments are being recorded correctly in the College's general ledger.

Planned Corrective Actions:

A procedure has been written and implemented which provides for adequate review and approval prior to the posting of all journal entries. Journal entries prepared by the CFO are now being reviewed by the accounting consultant, and then presented to the President for approval.

RANGER COLLEGE DISTRICT

Corrective Action Plan

August 31, 2015

2015-018

Significant Deficiency: Internal Controls over Revenue and Accounts Receivable Cycle

Recommendation: The College should develop and implement policies and procedures that include sufficient internal controls over the College's revenue and accounts receivable cycle to assure that revenues are accurately recorded in the general ledger and receivables are being relieved when accounts are paid. These controls over revenues and receivables will assist in reducing the risk of financial statements being materially misstated.

Planned Corrective Actions:

1. The accrual basis of accounting, which provides the Generally Accepted Accounting Principles for the College, will be followed at all times by the College.
2. As discussed in Finding 2015-006, Poise will be contacted to help develop a plan of action for reviewing how subsidiary ledger systems such as the student billing system post transactions to the general ledger. Poise may be able to directly provide consulting services, or should be able to recommend consultants with both Poise and higher education financial experience.
3. As discussed in Finding 2015-006, the revised billing system must record deferred revenues and receivables for fall semester with the proper dates.
4. The college will verify that sufficient internal controls over the College's revenue and accounts receivable cycle exist to assure that revenues are accurately recorded in the general ledger and receivables are being relieved when accounts are paid.

2015-019

Significant Deficiency: Classification of Expenses

Recommendation: To make the monthly financial statements a meaningful analysis tool, care should be taken to properly and consistently classify expenditures. The College should continue reviewing and updating controls over disbursements to ensure consistent expense classification and accurate financial statements reporting.

RANGER COLLEGE DISTRICT

Corrective Action Plan

August 31, 2015

Planned Corrective Actions:

Proper coding and posting of all expenditures consistently is critical to providing proper reporting of financial activities at the College. The College will continue reviewing and updating controls over disbursements to ensure consistent expense classification and accurate financial statements reporting.

2015-020

Non-compliance: Administrator Contract

Recommendation: The College should strive to comply with State law requirements related to contracts with administrators.

Planned Corrective Actions:

As noted, the College now understands that Texas Education Code Chapter 51.948 limits the term of administrator contracts to three years. The College will conform to Texas Education Code Chapter 51.948 for future contracts.

2015-021

Non-compliance: Investment Policy

Recommendation: The College should review and adopt a written instrument stating that it has reviewed the investment policy and investment strategies not less than annually as required by the Texas Public Funds Investment Act (PFIA).

Planned Corrective Actions:

The College will schedule the annual review and adoption of the Investment Policy at the July Board meeting each year as required by the Texas PFIA.

2015-022

Non-compliance: Purchasing Requirements

Recommendation: The College should understand the State's requirements and consider obtaining training in order to comply with State purchasing laws.

RANGER COLLEGE DISTRICT
Corrective Action Plan
August 31, 2015

Planned Corrective Actions:

1. The College will develop a procurement procedure as required by Texas Education Code Chapter 130.010, which requires junior (and community) college districts to acquire goods and services by the methods required in Texas Education Code Chapter 44.
2. The College will provide training to College employees to be certain that the procurement procedure is successfully implemented.

2015-023

Non-compliance and Significant Deficiency in Internal Controls: Federal Pell Grant Program - Eligibility

Recommendation: The College's procedures in place to the determine eligibility requirement of maintaining good standing, or satisfactory academic progress, should be followed and monitored for every student applying for federal financial aid.

Planned Corrective Actions:

1. The College will contact Poise to help develop a corrective action plan that will enable the Financial Aid Office to review and monitor all students' academic progress.
2. The College will review each financial aid applicant to confirm eligibility.

2015-024

Significant Deficiency in Internal Controls: Skills Development Fund - Manufacturing Consortium - Reporting

Recommendation: The College should consider developing and implementing procedures that includes proper review and verification of amounts reported on the TWC Monthly Expenditure Reports and to verify that the amounts agree to the expenses in the College's general ledger.

Planned Corrective Actions:

1. Financial statements and reports submitted to any external entity by the College must be prepared and reviewed prior to submission to ensure that they properly and fully represent the financial activity for the reporting period.
2. The College will reconcile each TWC Monthly Expenditure Report to the general ledger. The College CFO, accounting consultant, and grant accountant will review and approve each reconciliation.

FEDERAL AWARDS SECTION



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE OF TEXAS *SINGLE AUDIT CIRCULAR*

To the Board of Regents
Ranger College District

Report on Compliance for Each Major Federal and State Program

We have audited Ranger College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of the College's major federal and state programs for the year ended August 31, 2015. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas *Single Audit Circular*. Those standards, OMB Circular A-133 and the State of Texas *Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Ranger College District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-023. Our opinion on each major federal program is not modified with respect to this matter.

Ranger College's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Ranger College's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Ranger College District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. As discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal and state programs that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-023 and 2015-024 to be significant deficiencies.

Ranger College's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Ranger College's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Snow Garrett Williams

Snow Garrett Williams

December 16, 2015

RANGER COLLEGE DISTRICT
Schedule E
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2015

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures and Pass-Through Disbursements
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 35,924
Federal College Workstudy Program	84.033		73,723
Federal Pell Grant Program	84.063		3,174,875
Federal Direct Student Loans	84.268		<u>2,788,468</u>
Total Student Financial Aid Cluster			6,072,990
TRIO Cluster			
TRIO - Student Support Services Grant	84.042A		211,105
Pass-Through From:			
Texas Higher Education Coordinating Board			
Career and Technical Education Basic Grants -			
Texas Counselors' Network	84.048	154255	<u>146,912</u>
Total U.S. Department of Education			<u>6,431,007</u>
Total Federal Financial Assistance			<u>\$ 6,431,007</u>

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	\$ 358,017
Add: Non-Operating Federal Revenue from Schedule C	<u>3,284,522</u>
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Position	<u>\$ 3,642,539</u>
Reconciling Items:	
Federal Direct Student Loans	<u>2,788,468</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 6,431,007</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule.

The expenditures included in the schedule are reported for the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation to the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor CFDA Number / Program Name	New Loans Processed	Administrative Cost Recovered	Total Loans Processed & Admin Cost Recovered
U.S. Department of Education			
84.268 Federal Direct Student Loans	<u>\$ 2,788,468</u>	<u>\$ -</u>	<u>\$ 2,788,468</u>

STATE AWARDS SECTION

RANGER COLLEGE DISTRICT
Schedule F
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2015

Grantor Agency/Program Title	Grant Contract Number	Expenditures
Texas Higher Education Coordinating Board Nursing and Allied Health	14132	\$ 144,917
Professional Nursing Shortage Reduction		20,400
Texas College Workstudy		9,829
Texas Education Opportunity Grant	13399	128,572
Toward Excellence, Access, and Success (Texas) Initial Grant		16,563
Texas Workforce Commission Skills Development Fund - Manufacturing Consortium	0415SDF001	<u>1,128,839</u>
Total State Financial Assistance		<u>\$ 1,449,120</u>

See Notes to Schedule below.

Note 1: State Assistance Reconciliation

State Financial Assistance - per Schedule of Expenditures of State Awards	\$ 1,449,120
Reconciling Items Professional Nursing Shortage Reduction reported on Schedule C	<u>(20,400)</u>
Total State Revenues per Exhibit 2 and Schedule A	<u>\$ 1,428,720</u>

Note 2: Significant Accounting Policies used in Preparing the Schedule.

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

